HOUSING MARKET OUTLOOK

Toronto

Canada Mortgage and Housing Corporation

www.cmhc.ca

Spring 2005

RESALE MARKET
Buoyant sales

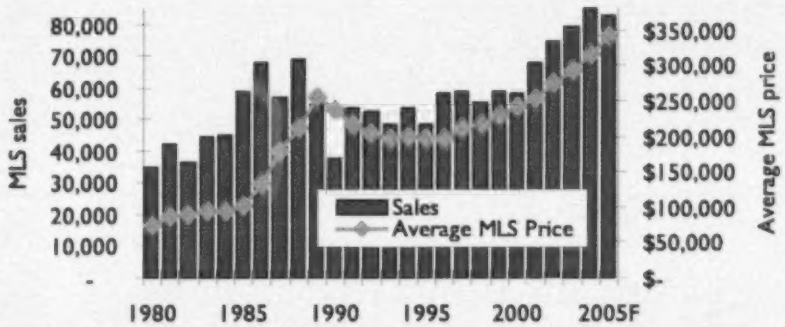
Toronto home sales are on course to another solid year in 2005. Stable borrowing costs and job growth suggest that sales will continue at high, albeit slightly lower levels this year. Home sales are expected to reach 83,000 units in 2005 and will be the second highest level on record.

Affordability concerns will raise demand for less expensive multi-family dwelling types such as townhouses and condominium apartments. Multi-family home sales grew by nine per cent in comparison to five per cent for detached homes last year.

Detached homes have always been in high demand but they have become expensive. The ageing baby boomer population is in its affluent years and the group most likely to move into detached or lower density homes (low density home tends to be more expensive). But prices of such homes have become so expensive that many are opting for more affordable semis and town houses. Sales of expensive detached homes will, as a result, see moderate declines.

Homes in core areas of Toronto are fast becoming out of reach for first time buyers. Demand has shifted to suburban areas, and especially those in the "905" neighborhoods. Both Oakville and Richmond Hill recorded a 15 per cent growth in sales last year, making them the most sought after residential destinations within the Toronto CMA. Wide choice, in terms of housing type and price, will make the suburbs especially attractive to first-time buyers.

Toronto resale market to remain strong in 2005



Source: TREB, CMHC forecast

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HOME TO CANADIANS

The ageing of the baby boomers into their move-up years (mid 40s) and the rate of new home completions in Toronto will add to the growth in the supply of new listings. Boomer households typically account for a larger share of the employment market and have accumulated substantial wealth in the form of home equity. Some will look to move to bigger and more expensive homes and will list their current homes for sale.

Also adding to the new listings supply are the growing number of new home completions. Homes under construction in 2004 increased by six per cent. Existing home owners, who plan to take possession of their new homes this year, will list their current home for sale. Last year, new listings grew by nine per cent while sales grew by seven per cent. New listings will outpace sales and increase by 3.4 per cent to 150,000 in 2005.

With sales forecast to decline and listings expected to grow, Toronto will lean from sellers' towards balanced market conditions in 2005. In a balanced market, buyers will have more room for price negotiation and product choice. Homes would be listed for longer periods in the market. Buyers will have more time to make final buying decisions.

The ratio of sales-to-new listings is a good measure of the state of the resale market. A ratio above 55 per cent tends to reflect a sellers' market while a ratio below 40 per cent a buyers'. A balanced market has a ratio in between. The seasonally adjusted ratio has been trending downwards since the first quarter of 2001 and has moved into balanced territory during the first quarter of this year. Expect the ratio to linger around 55 per cent in 2005.

Price growth is not expected to recede in 2005. The increase in the average Multiple Listings Price (MLS) in Toronto will exceed the rate of inflation by approximately four times - a characteristic commonly associated more with a sellers' market. Expect the average MLS price to jump by 8.2 per cent to $341,000 in Toronto this year.

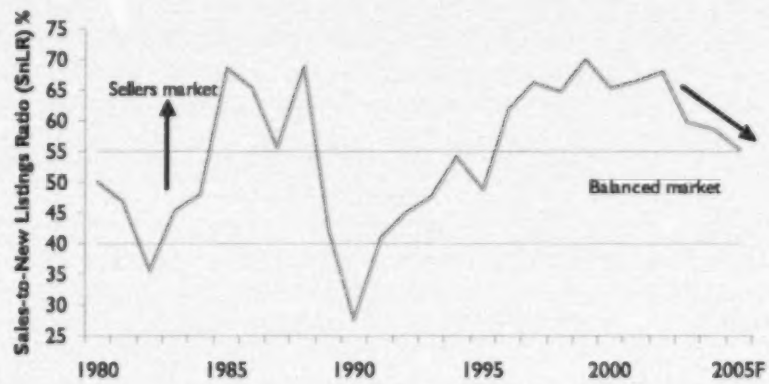
Sub-markets within Toronto CMA such as Oakville, Mississauga and Orangeville, which are expected to remain sellers' markets in 2005, will see double-digit price growth. The year-to-date average MLS price for a detached home in Oakville, Milton and Halton Hills grew by 11 per cent. Housing markets in areas like Central Toronto and Vaughan, which are already highly priced, will see price growth in line with the forecast for Toronto CMA. Given that the house prices in these markets have skyrocketed, and incomes have not grown as fast as house prices, chances are that further price increases will not be as dramatic as those seen in markets such as Oakville or Mississauga.

Toronto Housing Costs
Homeownership costs to drift higher in 2005

	1990	1995	2000	2005F
Household income	$60,227	$53,426	$59,502	$66,465
Avg 5yr mtg (%)	12.5	8.5	7.8	6.3
Avg Prices	$235,983	$195,311	$243,249	$341,000
Taxes**	$2,950	$2,440	$3,040	$4,262
Occupancy costs***	$25,612	$16,426	$19,468	$24,446
Costs as % income	**43%**	**31%**	**33%**	**37%**

Source: Bank of Canada, Stats Canada, TREB, CMHC estimates
**** Median household income for Toronto CMA***
***** CMHC estimates***
****** Occupancy cost= Carrying costs + property taxes (excluding utilities) based on 25% dp, 25 yr amort., avg resale home price***

A balanced Toronto resale market in 2005



Source: TREB, CMHC forecast

Balanced market=40%<SnLR<55%

2004 Rental Market Survey
Get a picture of average rents, vacancy rates, availability rates and universe size by bedroom type by zone across the Toronto area

To order your copy or obtain more information please call:
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NEW HOME MARKET

Starts to ease

Eroding affordability, more choice in the resale market, rising vacancy rates and sluggish migration will curtail new home starts in 2005. Construction peaked in 2003 and has edged lower ever since. Total starts are expected to dip by seven per cent to 39,000 units this year. Despite this slowdown, this will be sixth highest level on record and significantly above historical averages.

Sharp price growth, land shortages and a demographic shift to smaller family sizes imply falling construction of detached homes and, to a lesser extent, semi-detached homes. Lower number of low density starts are already evident from year-to-date results which show that single-detached starts are down by 25 per cent and semis-detached by 16 per cent. With population ageing, the traditional four-member family households are gradually being replaced by lone-member households. The need for large detached housing will decline over time. In its place will be demand for smaller and more manageable housing types such as townhomes or apartments. CMHC's 2004 Intentions to Buy and Renovate (ITBR) survey also suggests that a growing share of smaller households will be in the market for homes in 2005.

Multi-family homes will experience the only increase in construction this year, by two per cent to 23,500 units. With interest rates expected to remain stable, first time buyers will stay active and demand the affordable townhouses and condominium apartments. The tightening resale market for townhomes will induce new construction for this housing type. Year-to-date multi-family starts are up by 28 per cent.

Low Rental Starts

Rising apartment vacancy rates will mean lower rental apartment construction in 2005. Rental apartment starts have been trending lower since 2003. Rising vacancy rates and stagnant rental rates have made investors less inclined to buy rental units. With apartment vacancy rates expected to rise further, a decline in rental construction is expected this year.

*Condominiums Drive New Home Sales**

Low mortgage rates will ensure another solid year for new home sales. While sales in the GTA dropped by a modest 2.5 per cent last year to record 41,724 sales, it was the fifth consecutive year in which sales exceeded 40,000 units. The soaring price of singles, semis and townhomes made buyers shift demand towards the condominium apartment market. Condominium sales surged by 16 per cent in 2004. Their share of total new home sales jumped to 33 per cent from 28 a year earlier. With no drastic drop in the price of low rise homes expected, condominium apartments will dominate new home sales in 2005.

Suburban neighbourhoods will prove popular for buyers looking for affordable new detached homes. Lower house prices in areas like Durham (which recorded the highest growth in low-rise sales last year) will entice families to move there. High-rise sales will be the most prevalent in core neighborhoods within Central Toronto. Condominium apartments will offer a buyer the location advantage for urban living without a hefty price tag. First-time buyers will be main driver of demand for this type of housing.

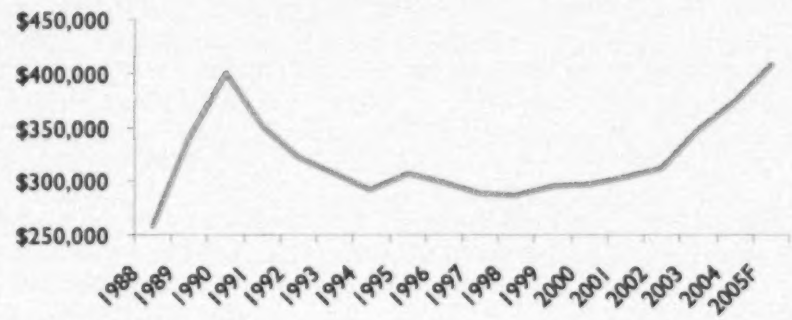
New Home Prices Will Grow

House prices are often a reflection of the wealth of an area. Toronto is one of the most expensive housing markets in Canada. Land constraints and an active resale market boosted the year-to-date average absorbed single-detached home price by 13.4 per cent. Rising construction costs and land constraints suggest more of the same can be expected in 2005. The average absorbed price of a single-detached home is expected to jump by nine per cent to $408,765.

As listings of resale condominiums increase and apartment completions are expected to turnover into the listings pool, the multi-family market will feel less price pressure than the detached market.

Toronto absorbed single-detached home price

.....on course to reach an all time high in 2005



Source: CMHC

Economic Overview

Steady job growth

Toronto is expected to post healthy economic growth this year. The one time shock to the economy from SARS has largely dissipated. A high Canadian dollar, however, will put pressure on exporters of manufactured goods, tourism and travel industries. Recent evidence suggests that exporters are coping with the rising Canadian dollar. Manufactured goods shipments remain stable. Looking ahead, capital spending intentions on machinery and equipment are strong. This should help boost productivity and provide positive demand to offset a rising loonie.

Job creation will be moderate in light of slower labour force growth. An already high labour force participation rate, falling migration and an ageing population, will keep labour force growth rate at a low 1.2 per cent in 2005. Slow labour force growth will only lead to a moderate 1.5 per cent increase in employment this year.

Immigration high but more people are moving out of Toronto

Population growth is key for long term housing demand. Given that birth rates are falling and population is ageing (the median age in Toronto is 36.2 according 2001 census data), migration will be the main driver of population growth.

Net migraton peaked during 2001 and 2002 and has trended lower since then. Expect net migration to average around 60,000 in 2005.

Net migration is the sum of net intra and inter-provincial migrants, immigrants and non-permanent residents.

High net immigration to Toronto is the key reason why its population continues to exhibit growth. Well established ethnic networks and job opportunities relative to many other provinces in Canada, continue to attract the highest number of new immigrants each year. Net immigration recovered from a drop in 2003 to increase by 18.5 per cent in 2004. Easing geopolitical tensions and relaxed immigration requirements to enter Canada will mean a net increase in immigration this year.

While immigrants continue to pour in, Toronto has been loosing its residents to other cities and provinces. Rapid economic growth in provinces like Alberta and British Columbia will attract people from other provinces including Toronto.

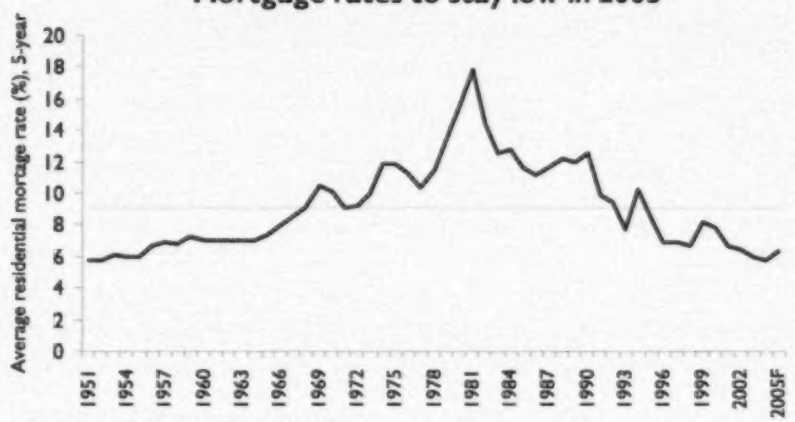
Additionally, escalating house prices in Toronto will encourage people to set up house in less expensive neighbouring areas such as Hamilton and Oshawa, resulting in deteriorating intra-provincial migration flows between Toronto and other Ontario centres.

A large portion of migrants arriving to the city tend to rent until they become established. This is especially true for immigrants. Census data shows, however, that after spending five years in Canada, approximately half of immigrants become homeowners. Current housing demand continues to be supported by the high net migration of 2001 and 2002.

Mortgage Rates Will Hold Steady

Mortgage rates are expected to remain low, rising by less than 50 basis points annually this year and next. One, three and five-year mortgage rates are forecast to be in the 4.50-5.50, 5.50-6.50, and 5.75-6.75 per cent range respectively in 2005.

Mortgage rates to stay low in 2005



Source: Bank of Canada, CMHC forecast

Short-term mortgage rates move in tandem with the prime rate while mid and long-term mortgage rates vary in response to the cost of raising funds in the bond markets.

Posted mortgage rates are forecast to rise moderately as interest rates head up in 2005-06. However, tame inflation, a strong Canadian dollar vis-à-vis the US dollar, and slower economic growth in Canada will restrain the size and speed of Canadian interest and mortgage rates increases in 2005-06.

FORECAST SUMMARY

Toronto Spring 2005

RESALE MARKET	2000	2001	2002	2003	2004	2005f	Chg.%
MLS(1) Sales	58,349	67,612	74,759	78,898	84,854	83,000	-2.2
MLS Price	$243,249	$251,508	$275,371	$293,308	$315,266	$341,000	8.2
New Listings	89,767	102,442	109,939	132,819	145,023	150,000	3.4
Sales to New Listings %	65%	66%	68%	61%	59%	55%	-
NEW HOME MARKET							
Freehold Sales /(Low Rise)**	27,964	29,201	38,758	30,957	27,974	24,000	-14.2
Condo Sales /(High Rise)***	12,878	13,061	15,931	12,325	13,750	14,000	1.8
Total Sales	40,842	41,362	54,689	43,282	41,724	38,000	-8.9
HOUSING STARTS							
Total	38,982	41,017	43,805	45,475	42,115	39,000	-7.4
Single Family Detached	17,119	16,844	22,115	19,626	19,076	15,500	-18.7
Semi/Row	11,607	10,479	11,097	10,535	9,399	10,000	6.4
Apartment	9,981	12,738	9,081	13,291	13,640	13,500	-1.0
Private Rental Starts	275	956	1,512	2,179	1,241	600	-51.7
RENTAL MARKET							
Vacancy Rate	0.6%	0.9%	2.5%	3.8%	4.3%	5.0%	-
Average Rent (2-bed)	$979	$1,027	$1,047	$1,040	$1,052	$1,052	-
ECONOMIC OVERVIEW							
Mortgage Rate-3 year	8.2%	6.9%	6.3%	5.8%	5.7%	5.8%	-
Mortgage Rate-5 year	8.3%	7.4%	7.0%	6.4%	6.2%	6.3%	-
Employment Growth (%)	4.2%	3.8%	1.6%	2.2%	2.2%	1.5%	-
Unemployment Rate	5.4%	6.2%	7.4%	7.7%	7.5%	6.9%	-
Net Migration (2)	65,000	95,000	85,000	60,000	55,000(F)	60,000(F)	9.1

Source: Toronto Real Estate Board, Statistics Canada , GTHBA based on Realnet Data, CMHC

(1) Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association
(2) Source-Net Migration=CMHC Annual Estimates, Statistics Canada
F=CMHC Forecast
* GTHBA based on Realnet Data
**(Low Rise)= Realnet Data switched to low rise definition in 2003=singles, semis, town homes(both freehold and condo)
***(High Rise)= Realnet Data switched to high rise definition in 2003=condo apartments exclusively

The Toronto Housing Market Outlook is CMHC's local forecast for new home and resale markets. Issues are released in the Spring and Fall of each year. To become a subscriber for only $40.00 annually (single- $25.00) (+GST) or for more information please call 1-800-493-0059.

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